



FILED

06-01-06
10:57 AM

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

IN THE MATTER of the Application SIERRA PACIFIC POWER COMPANY (U-903), for an Order Approving its 2007-2008 California Alternate Rates for Energy (CARE) and Low Income Efficiency (LIEE) Plans and Budgets.

Application 06-06-009
(Filed June 1, 2006)

In the Matter of the Application of PACIFICORP (U-901) for Approval of 2007-2008 Low-Income Assistance Program Budgets.

Application 06-06-003
(File June 1, 2006)

In the Matter of the Application of the GOLDEN STATE WATER COMPANY (U -913) Regarding Low Income Assistance Programs for its Bear Valley Electric Service Customers for Program Years 2007 - 2008.

Application 06-07-008
(Filed June 1, 2006)

Application of ALPINE Natural Gas Operating Company (U-909) PY 2007 and 2008 Low Income Energy Efficiency ("LIEE") and California Alternate Rates For Energy ("CARE") program Plans.

Application 06-06-011
(Filed June 1, 2006)

In the Matter of the Application of WEST COAST GAS COMPANY (U-910) For Approval of Program Years 2007-2008 Low-Income Assistance Program Budgets.

Application 06-06-007
(Filed June 1, 2006)

In the Matter of the Application of Southwest Gas Corporation (U-905) for Approval of Program Years 2007-2008 Low-Income Assistance Program Budgets.

Application 06-06-002
(Filed June 1, 2006)

**ENERGY DIVISION REPORT ON PROGRAM YEAR 2007 and 2008
CALIFORNIA ALTERNATE RATES FOR ENERGY (CARE) AND LOW
INCOME ENERGY EFFICIENCY (LIEE) PROGRAMS OF THE SMALL AND
MULTI-JURISDICTIONAL UTILITIES**

July 24, 2006

Table of Contents

| Title | Page |
|--|------|
| I. Introduction | 3 |
| II. Summary of Energy Division Recommendations | 3 |
| III. Income Guidelines and Discount | 6 |
| IV. Purchase of Avista | 8 |
| V. CARE program | 8 |
| A. <i>CARE Participation Achievements and Targets Analysis</i> | 10 |
| 1. Alpine Participation | 10 |
| 2. PacifiCorp Participation..... | 11 |
| 3. Sierra Pacific Participation | 14 |
| 4. Bear Valley Participation..... | 16 |
| 5. Southwest Gas Participation | 17 |
| 6. West Coast Gas Participation..... | 18 |
| B. <i>CARE Outreach Analysis</i> | 19 |
| 1. Alpine Outreach..... | 21 |
| 2. PacifiCorp Outreach..... | 22 |
| 3. Sierra Pacific Outreach | 22 |
| 4. Bear Valley Outreach..... | 23 |
| 5. Southwest Gas Outreach..... | 24 |
| 6. West Coast Outreach..... | 25 |
| C. <i>CARE Processing, Certification, Verification Analysis</i> | 25 |
| 1. Alpine’s Processing, Certification and Verification Processes..... | 27 |
| 2. PacifiCorp’s Processing, Certification and Verification Processes | 28 |
| 3. Sierra Pacific Processing, Certification and Verification Processes..... | 28 |
| 4. Bear Valley Processing, Certification and Verification Processes | 29 |
| 5. Southwest Gas Processing, Certification and Verification Processes | 29 |
| 6. West Coast Gas Processing, Certification and Verification Processes | 31 |
| D. <i>CARE General Expenditures</i> | 31 |
| 1. Alpine Gas General Expenses..... | 33 |
| 2. PacifiCorp General Expenses | 33 |
| 3. Southwest Gas General Expenses..... | 34 |
| 4. West Coast Gas General Expenses | 34 |
| VI. Low Income Energy Efficiency Program Goals, Budgets and Expenditures | 35 |
| A. <i>Alpine</i> | 38 |
| B. <i>PacifiCorp</i> | 38 |
| C. <i>Sierra Pacific</i> | 40 |
| D. <i>Bear Valley</i> | 42 |
| E. <i>Southwest Gas</i> | 42 |
| F. <i>West Coast Gas</i> | 43 |
| VII. Conclusion | 44 |

**Energy Division's Report on Budget Requests for Small Multi-Jurisdictional
Utilities (SMJU's)**

I. Introduction

This report presents Energy Division's discussion and recommendations regarding proposed PY 2007 and PY 2008 CARE and LIEE Programs of Alpine Natural Gas Company (Alpine) (06-06-011), Bear Valley Electric Service (Bear Valley or BVES) (A.06-07-008), PacifiCorp (PC) (A.06-06-003), Sierra Pacific Power Company (Sierra) (A. 06-06-009), Southwest Gas Company (SW Gas) (A. 06-06-002), and West Coast Gas Company (WCG) (06-06-007); collectively known as Small Multi-Jurisdictional Utilities or SMJU.

Throughout this report, Energy Division primarily used information and data provided by the utilities. Energy Division relied on that information and data to evaluate the utilities' proposals and to make its recommendations for the PY2007 and PY 2008 CARE and LIEE programs. However, Energy Division has not reviewed that information and data for accuracy and by its reliance on that data does not imply that the utility data is accurate or should not be subject to reasonableness review and audit.

Energy Division reviewed utilities' submitted filings, utilities' data request responses, annual reports submitted by the utilities, recent Commission decisions, previous Energy Division reports and utilities' presentations and other information provided to the Low Income Oversight Board (LIOB).

II. Summary of Energy Division Recommendations

Following is the summary of Energy Division's recommendations for the Years 2007 and 2008 CARE and LIEE Programs for six small multi-jurisdictional utilities (SMJU) which offer these programs. Avista which used to provide gas service to Lake Tahoe area was acquired by Southwest Gas Corporation in 2005.

Alpine Natural Gas Company

- To achieve a 100% enrollment of its CARE and LIEE eligible customers in PY 2007 and 2008, Alpine should use all effective outreach methods. For example, an Alpine representative should personally call all new and potential CARE enrollees to achieve its goals. The customer should be notified that the enrollment papers will be in the mail with their billing statement.
- The Commission should approve Alpine's increased budget of \$100.00 for processing, certification and verification to support its goal of achieving 100% penetration rate.
- The Commission should approve Alpine's 2007-2008 CARE and LIEE budgets.

PacifiCorp

- PacifiCorp should be required to increase its CARE enrollment by 20% for each of the Years 2007 and 2008. At that rate it will achieve its penetration rate of 93% for its eligible CARE customers. In year 2006 PacifiCorp expects to increase its participation rate from 34% to 56%.
- PacifiCorp should consider new options in its Outreach strategy due to the fact that, according to the State of California literacy resource center statistics, between 2-5% of the counties PacifiCorp serves do not have English literacy.¹ Therefore, the population may speak English, but may not be able to read.
- The Commission should approve PacifiCorp's LIEE and CARE budget. The requested amount is appropriate due to PacifiCorp's continued efforts to increase their penetration rate with its partnerships with Community Based Organizations (CBO).

¹ <http://literacynet.org/cgi-bin/hubiv/sra/sra.cgi>

Sierra Pacific

- Sierra Pacific (Sierra) should achieve a 10% increase in its CARE participation for each of the years 2007 and 2008. We commend Sierra Pacific for its efforts in year 2006 to achieve its adopted 70% penetration goal and its expectation to exceed it by 6 percent by year's end.
- To remedy the lack of local contractors and encourage participation, Sierra should hold local workshops that will educate and recruit contractors.
- Sierra Pacific should be required to reassess its outreach efforts in order to achieve maximum participation results.
- The Commission should approve Sierra's 2007-2008 CARE and LIEE budget.

Bear Valley Electric

- The Commission should set a 90% penetration rate benchmark for Bear Valley Electric Service (BVES) or 1510 CARE enrolled customers for 2007 and 2008, which would add 110 more CARE customers to the utility expected estimate of 1400 for 2006.
- Bear Valley should be required to "step-up" its outreach program and use all creative means including its website as well as other marketing techniques to meet the commission recommended penetration benchmark of 90%.
- BVES should have a "follow up" program to re-verify CARE applications that were rejected, to correct possible errors and encourage participation.
- The Energy Division is concerned about the low amount of homes weatherized in a 2 year period. Therefore, BVES should increase the number of weatherized homes and provide the division with an explanation to the low amount.
- The Commission should approve Bear Valley's 2007-2008 CARE and LIEE budget.

Southwest Gas

- The Commission should set a penetration rate for Southwest Gas at a 96% penetration rate in 2007 and 98% penetration rate in 2008. This number represents a 2% incremental increase in penetration rate each year, which amounts to approximately 660 newly enrolled customers each year.
- The Commission should not approve Southwest's proposed General Expenses for 2007 & 2008 CARE budget. The 15% increase in enrollment in the previous year and predicted growth does not justify a 100% increase in General Expenses. The Energy Division recommends a 24,000 budget General Expenses increase for the upcoming PY 2007 and PY 2008 to handle the incremental enrollment expected.
- The Commission should approve Southwest's 2007-2008 CARE and LIEE budget except for the General expenses noted above.

West Coast Gas

- The Energy Division should set the target participation rate for WCG at 100% for each of the years of 2007 and 2008.
- The Commission should require that WCG have a "follow-up" program, such as, direct mailings as well as direct phone calls be instituted for those who drop-off the program.
- The Commission should approve WCG's continued exempt status for the LIEE program.
- The Commission should approve WCG's 2007-2008 CARE program budget.

III. Income Guidelines and Discount

The CARE discount provided to SMJU customers is 20% off the total gas and/or electric bill, which is the same as that for the four large investor-owned

energy utilities. Income guidelines to qualify for the CARE and LIEE programs for the SMJU are calculated on the basis of 175% of Federal Poverty Income level (FPI) except for SW Gas which uses 200% of the FPI level in the calculation of its CARE program eligibility. The qualifying income guidelines for 175% and 200% FPI are shown below in Tables 1 and 2. SW Gas would like its income guidelines for LIEE to be increased to 200% of FPI in order to match the income guidelines of Southern California Edison Company (SCE) which is its electric partner in the Southern California High Desert area. Increasing the guidelines to 200% for SW Gas for LIEE in the Southern California seem appropriate, however, the impact of this increase for its Northern California area is unknown where the electric partner to SW Gas is Sierra Pacific which has its LIEE guidelines set at 175% level. Energy Division recommends that prior to changing these guidelines SW Gas and Sierra Pacific Power Company perform an impact study for such a change determining its positive and negative impacts from the customer standpoint as well as from the utilities' perspectives.

The following table 1 lists the qualifying income guidelines at 175% FPI.

TABLE 1

| CARE Income Guidelines for June 1, 2006 through may 31, 2007 (175% FPI) | |
|---|------------------------|
| <i>Household Size</i> | <i>CARE & LIEE</i> |
| 1--2 | \$25,000 |
| 3 | \$29,400 |
| 4 | \$35,400 |
| 5 | \$41,400 |
| 6 | \$47,400 |
| Each Additional | \$6,000 |

Table 2 lists the qualifying income guidelines at 200% of FPI.

TABLE 2

| CARE Income Guidelines for June 1, 2006 through may 31, 2007 (200% FPI) | |
|---|------------------------|
| <i>Household Size</i> | <i>CARE & LIEE</i> |
| 1--2 | \$28,600 |
| 3 | \$33,600 |
| 4 | \$40,500 |
| 5 | \$47,400 |
| 6 | \$54,399 |
| Each Additional | \$6,900 |

IV. Purchase of Avista

The Commission, in D.05-03-010, dated March 17, 2005, authorized the purchase of Avista's California gas facilities by Southwest Gas (SW Gas). The transfer of assets took place on April 28, 2005 and SW Gas began to serve customers in the South Lake Tahoe area. For the time being, SW Gas continued the prior structure of Avista's CARE and LIEE programs. In decision D. 05-007-014, the Commission noted the statement of SW Gas: "For the time being, Southwest Gas intends to continue the current program structure of Avista's CARE and Low-Income Energy Efficiency Programs. When current program contracts expire, Southwest may integrate Avista's current California Alternate Rates for Energy Program or Low-Income Energy Efficiency Program or both into SW Gas's current program."

With the approval of Advice Letter 748-A, effective January 1, 2006, Southwest combined the funding of its Northern California and South Lake Tahoe Programs and implemented a single Public Purpose Program (PPP) surcharge applicable to both areas.

V. CARE program

This section discusses the SMJU's proposed PY 2007& 2008 CARE penetration benchmarks, enrollment targets, activities, administrative budgets and subsidies/discounts provided to participating customers, as presented in the SMJU's applications, various reports and utility data responses. Table 3 below lists the proposed CARE budgets and Energy Division recommendations.

| TABLE 3 | | | | | | |
|--|---------------------------|--------------------|--------------------|--------------------|-----------------------------------|--------------------|
| CARE Program Budgets for Years 2007 and 2008 | | | | | | |
| Utility | Authorized D.05-07-014 | Projected | Utility Proposed | | Energy Division Recommendation | |
| | 2006 | 2006 | 2007 | 2008 | 2007 | 2008 |
| Alpine | | | | | | |
| Outreach | \$150 | \$100 | \$200 | \$200 | \$200 | \$200 |
| Process/Cert/Ver | \$100 | \$500 | \$600 | \$600 | \$600 | \$600 |
| General | \$0 | \$900 | \$600 | \$600 | \$600 | \$600 |
| Discount | \$4,290 | \$7,025 | \$7,950 | \$8,525 | \$7,950 | \$8,525 |
| Total | \$4,540 | \$8,525 | \$9,350 | \$9,925 | \$9,350 | \$9,925 |
| Avista | | | | | | |
| Outreach | \$18,800 | | | | | |
| Process/Cert/Ver | \$12,300 | | | | | |
| General | \$15,500 | | | | | |
| Discount | \$185,101 | | | | | |
| Total | \$231,701 | | | | | |
| PacifiCorp | | | | | | |
| Outreach | \$42,000 | \$42,000 | \$50,000 | \$50,000 | \$50,000 | \$50,000 |
| Process/Cert/Ver | \$13,000 | \$12,000 | \$12,000 | \$12,000 | \$12,000 | \$12,000 |
| General | \$8,000 | \$8,000 | \$8,000 | \$8,000 | \$8,000 | \$8,000 |
| Discount | \$715,046 | \$1,672,000 | \$981,505 | \$981,505 | \$981,505 | \$981,505 |
| Total | \$778,046 | \$1,734,000 | \$1,051,505 | \$1,051,505 | \$1,051,505 | \$1,051,505 |
| Sierra Pacific | | | | | | |
| Outreach | \$14,000 | \$4,204 | \$4,330 | \$4,460 | \$4,460 | \$4,460 |
| Process/Cert/Ver | \$10,485 | \$10,478 | \$10,793 | \$11,116 | \$10,793 | \$11,116 |
| General | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Discount | \$225,935 | \$310,416 | \$379,912 | \$395,133 | \$379,912 | \$395,133 |
| Total | \$250,420 | \$325,098 | \$395,035 | \$410,709 | \$395,165 | \$410,709 |
| Bear Valley * | | | | | | |
| Outreach | \$3,000 | \$3,000 | \$3,500 | \$3,500 | \$3,500 | \$3,500 |
| Process/Cert/Ver | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| General | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Discount | \$154,000 | | | | \$154,000 | \$154,000 |
| Total | \$157,000 | \$3,000 | \$3,500 | \$3,500 | \$157,500 | \$157,500 |
| Southwest Gas | | | | | | |
| Outreach | \$77,600 | \$77,600 | \$95,000 | \$95,000 | \$95,000 | \$95,000 |
| Process/Cert/Ver | \$29,600 | \$29,600 | \$42,000 | \$42,000 | \$42,000 | \$42,000 |
| General | \$17,600 | \$17,600 | \$34,000 | \$34,000 | \$24,000 | \$24,000 |
| Discount | \$3,756,690 | \$3,756,690 | \$8,772,330 | \$8,772,330 | \$8,772,330 | \$8,772,330 |
| Total | \$3,881,490 | \$3,881,490 | \$8,943,330 | \$8,943,330 | \$8,933,330 | \$8,933,330 |
| WCG | | | | | | |
| Outreach | \$500 | \$350 | \$350 | \$350 | \$350 | \$350 |
| Process/Cert/Ver | \$1,000 | \$250 | \$250 | \$250 | \$250 | \$250 |
| General | \$1,000 | \$500 | \$500 | \$500 | \$500 | \$500 |
| Discount | \$6,000 | \$6,000 | \$6,000 | \$6,000 | \$6,000 | \$6,000 |
| Total | \$8,500 | \$7,100 | \$7,100 | \$7,100 | \$7,100 | \$7,100 |

* No discount info provided. Assumed 2006 auth. Level

A. CARE Participation Achievements and Targets Analysis

SMJUs vary greatly in their program history, the terrain and other geographic elements that present challenges, corporate history, challenges and penetration rates. The Energy Division recognizes the unique service areas may affect the different penetration rates amongst the utilities. The Energy Division considered all of these factors when recommending targets for these utilities.

In D. 02-07-33, the Commission directed the utilities to seek a CARE participation goal of 100%. In Decision 05-07-14, the Commission recognized the optimal goal of the utilities was to attain a 100% penetration rate, but recognized each utility's challenges and set targeted penetration rates accordingly. The following table below lists the historic and proposed CARE penetration rates compared with CPUC's benchmarks.

TABLE 4

| Historic and Proposed CARE Penetration Rates Compared with CPUC Benchmarks | | | | | | | | | |
|--|---------------------------------|--|-------------------------------------|---------------------------------|--|-----------------------------------|---|---|---|
| Utility | Estimated Residential Customers | Utility Estimated Eligible Population 12/31/05 | D.03-03-007 Adopted Target for 2004 | Percentage Enrolled at 12/31/04 | D.05-07-014 Adopted Target for 2005 and 2006 | Percentage Enrolled at 12/31/2005 | Percent Enrolled at 12/31/06 (Expected) | Percent Enrolled at 12/31/07 (Proposed) | Percent Enrolled at 12/31/08 (Proposed) |
| Alpine | 1,004 | 40 | 100% | 100% | 100% | 88% | 100% | 113% | 135% |
| Avista | | 1,207 | 85% | 91% | 80% | 0% | 0% | 0% | 0% |
| PC | 35,000 | 15,938 | 70% | 29% | 70% | 34% | 56% | 66% | 75% |
| Sierra | 18,870 | 2,300 | 90% | 56% | 70% | 66% | 76% | 80% | 83% |
| BVES | 6,215 | 1,678 | 85% | 77% | 80% | 78% | 83% | 83% | 83% |
| SWG | 161,500 | 38,522 | 93% | 80% | 85% | 84% | 101% | 114% | 122% |
| WCG | 1,271 | 45 | 100% | 100% | 100% | 84% | 84% | 89% | 89% |
| Totals | 223,860 | 59,730 | | | | | | | |

1. Alpine Participation

Alpine Natural Gas Company is the smallest of the Small Multi-Jurisdictional Utilities, providing natural gas to approximately 1,000 customers in Calveras County. Alpine serves the subdivisions of La Contenta, Hogan Dam Estates and Rancho Calveras.²

In Alpine's 2005 annual CARE report, it estimated that less than 4% of the permanent residential customers are eligible for the CARE discount rate. The methodology used by Alpine to assess the number of eligible CARE participants

² Alpine 2005 CARE Annual Report, page 2.

was calculated based on income eligibility at 175% of the Federal Poverty Income Guidelines for 2005. The income data used to determine the income of Alpine's customers was calculated using federal and county income data, including the U.S Census 2000 survey within the zip code of Alpine's customer base.

In the last Energy Division report (R.04-01-006), Alpine reported that the company did not expect to attain the 2004 target of 33 customers as ordered by the Commission in D.03-03-007. Alpine's explanation for not attaining this target was that the program had been in existence for less than two years and historical data on the income levels of their customers was limited.

As of December 31, 2005, 35 of Alpine's 1,003 customers were on CARE. This number exceeds Alpine's expectations for its 2005 enrollment, representing an 88% penetration rate. The adopted target for Alpine's 2005 penetration rate was 100%.³

The Energy Division recommends that Alpine achieve a 100% penetration rate by year end 2006 and maintain this rate for 2007 & 2008. Due to Alpine's small territory and number of customers needed to attain this goal (5), a 100% penetration rate is a reasonable goal. Outreach efforts such as a phone call or home visit would be very effective in allowing customers to become aware of their eligibility and enroll in CARE and will produce the most results.

2. PacifiCorp Participation

PacifiCorp provides electric service to approximately 35,000 full-time residential customers, in the counties of Siskiyou, Modoc, Del Norte, Trinity and Shasta, of which PacifiCorp estimates that a high percentage of customers are eligible for the CARE program. The utility relies on U.S census data to estimate that 46% of residential customers in the Company's service territory are currently eligible for the CARE program based on 175 percent of federal poverty guidelines.⁴ PacifiCorp indicates that its service area does not overlap with other utilities. PacifiCorp began implementing CARE in 1989.

³ D.05-07-14, Page 12

⁴ PacifiCorp Application for Approval of 2007, 2008 programs, Page 3

PacifiCorp has a historical low rate of participation of CARE enrollment. In 2004, PacifiCorp had a penetration rate of 29%. PacifiCorp attributed its low enrollment rate to 1) a customer whose income is close to average in the service area may be reluctant to participate in a program labeled as “low-income” and 2) number of eligible customers based on the income guidelines on the 175% income guidelines.⁵

Despite increased outreach, PacifiCorp has not met the directed benchmark by the Commission. In Decision 05-07-14, PacifiCorp was directed to reach a 70% penetration rate. In December of 2005, PacifiCorp reported a 34% penetration rate.⁶ This is a 5% increase in enrollment in one year. PacifiCorp asserts that a unique aspect of its service territory that makes 100% penetration difficult is 1) high rate of low income customers in service territory 2) rural nature of territory makes it difficult to reach customers and 3) the lower cents/kWh rates in comparison to other parts of the state.⁷

Due to the slight increase despite aggressive outreach efforts, the Commission must also consider the large prison population located in Crescent City, the Pelican Bay Prison. This prison houses, at full occupancy, approximately 3300 prisoners.⁸ According to the US Census Report, prisoners are included in the calculation of census data.⁹ The Bureau is presently undergoing a study to use a prisoner’s original place of domicile, instead of the prison address to calculate US Census Bureau data. The inclusion of prison inmate data to determine income eligibility may slightly skew the income eligibility of a service territory, and thus stagnate the penetration rate. For example, if Pelican Bay Prison is at half capacity (1515), and all of the residents are documented by the US Census Bureau as having an income below the Federal 175% Income Guidelines (See Table 1), then this data would assume that 10% of PacifiCorp CARE eligible population has not been penetrated. This population

⁵ D.05-07-14, page 17

⁶ PacifiCorp Annual Report 2005, Page 2

⁷ PacifiCorp Data Response 4.3, June 14, 2006

⁸ http://www.corr.ca.gov/Visitors/fac_prison_PBSP.html

⁹ “US Census Bureau Report: Tabulating Prisoners at their Permanent Home of Record” Address, Feb.21,2006, Page 1

cannot be penetrated because they are incarcerated. Therefore, PacifiCorp should consider this factor when tabulating the actual penetration rate. The Energy Division has taken this factor into consideration while giving its recommendation for PacifiCorp's penetration rate.

The Division of Rate Payer Advocates (DRA) finds that the penetration rate for PacifiCorp's sub-metered tenants is low and that the company should target this population for outreach and enrollment.¹⁰ The data used to support DRA's analysis is drawn from PacifiCorp's 2005 Low-Income Progress Report Outline of CARE and LIEE, where it states that only 16% of sub-metered tenants eligible for CARE are actually enrolled.¹¹ The Energy Division finds that PacifiCorp's calculation of sub-metered eligible enrolled tenants is not valid and may be misleading. PacifiCorp states that it has not done any analysis on the sub-metered population.¹² Furthermore, the company bases the 16% eligible on the same percentage rate as the entire residential population.¹³ PacifiCorp reports that 46% of the total residential population is eligible for CARE enrollment, and PacifiCorp has assumed that 46% of the sub-metered population is also eligible for CARE.¹⁴ This type of analysis is erroneous when determining the penetration rate of a particular population. The resulting numbers are based on assumptions and do not validly express the needs of certain populations.

The Energy Division agrees with DRA that there need to be outreach efforts in the sub-metered population. However, the Energy Division also recognizes this may be problematic due to the relationship between the master-meter customer (landlord), and the CARE enrollee (tenant). For example, there needs to be assurances that the discount is passed to the tenants in their monthly statements and that the CARE application is actually being passed to the tenants. Information regarding this population may greatly increase enrollment. According to PacifiCorp, there are 15 master-metered customers on

¹⁰ Ibid, Page 5

¹¹ PacifiCorp's 2005 Annual Report for CARE and LIEE program, May 1, 2006, Page 2

¹² Ibid, Page 2

¹³ Ibid, Page 2

¹⁴ Ibid, Page2

Schedule DS-8 who have 264 sub-metered tenants.¹⁵ An analysis as to their CARE eligibility would be beneficial to those eligible for CARE as well as to PacifiCorp, whereby the company would be able to properly assess its penetration rates and outreach efforts.

The Energy Division recommends a 20% increase in enrollment each year (2007-2008) for PacifiCorp. An annual increment of 20% enrollment would allow an additional 3200 customers to be enrolled each year. By 2008 year end, PacifiCorp should have approximately 14,950 customers enrolled of 16,000 eligible customers, which is a 93% penetration rate. The utility expects in 2006 that it will increase its enrollment in the 3000 range of its CARE participants. The Energy Division recommends the same level of outreach effort be continued in year 2007 & 2008. This increment of 20% a year is reasonable in relation to the challenges that PacifiCorp faces as it attempts to enroll customers that are reluctant to identify themselves as “low income”, and reassess its outreach efforts, as well as in light of the issue of the prison population discussed above.

3. Sierra Pacific Participation

Sierra provides electric service to approximately 45,000 customers in California's Nevada, Placer, Sierra, Plumas, Mono, Alpine and El Dorado counties, with 80% of its customers located in the Lake Tahoe Basin.¹⁶ Approximately 18,870 customers are residential, and 2300 are estimated to be eligible for CARE. The terrain in Sierra's California territory is mountainous, with elevations ranging from 9,050 feet in Squaw Valley to just under 5,000 feet at Portola.¹⁷ Most of Sierra's customers are located at very high elevations which are hard to reach, such as elevations greater than 6,000 feet.¹⁸

In D.05-07-014, the Commission directed Sierra to pursue a 70% CARE participation target and encouraged Sierra to apply extra effort to reach this goal in the remainder of 2005. Sierra did not meet the targeted 70% participation rate for 2005. The company reported a 66% penetration rate as of December 31,

¹⁵ Ibid, Page 2

¹⁶ Sierra Pacific Application for 2007-2008, Page 1

¹⁷ Ibid, Page 1

¹⁸ Ibid, Page 1

2005. Although Sierra did not reach the targeted rate, it achieved a 71.4% penetration rate in March of 2006, and expects to reach 76.4% by the end of the year.¹⁹ Sierra believes the current and proposed 2007 and 2008 outreach activities will improve the current penetration rate and achieve a 79.6% penetration rate for 2007 and 82.7% participation for 2008.²⁰

Sierra asserts the higher than state average income in the Tahoe area has made it difficult for Sierra to achieve the Commission's proposed participation target of 70%.²¹ Due to the increase in cost of living in the Tahoe area, many low income residents have been forced to relocate from the area.²² Sierra believes that the territory served is unique and that the number of actual eligible CARE participants may be lower.²³ Although the Tahoe area proposes a difficulty in calculating income eligibility, Sierra has increased its CARE participation by 17% since 2004.²⁴ The company attributes this growth to self-certification implementation, Home Energy Assistance Program (HEAP) payment recipients placed on CARE, and data sharing with Southwest Gas.

The Energy Division recommends a 10% increase each year for the CARE penetration rate. The penetration target rates for the following years will be as follows: 2006-76%; 2007-86%; 2008-96%. A 10% increase each year is reasonable based on Sierra's historical average growth rate of 10% increase each year of CARE customers. For example, between 2003 and 2004 Sierra increased its enrollment from 48% to 56%, and between 2004 and 2005 Sierra increased its enrollment from 56% to 66%. Additionally, Sierra has already reported a 71.4% penetration rate as of March 2006, which leaves a remaining 5% enrollment for the rest of 2006. Although it may be difficult to ascertain the income level of those customers in the Tahoe area, Sierra has been able to attain a steady growth rate each year. Therefore, the Energy Division accepts Sierra's expected growth for 2006-76%, but rejects the targeted penetration rates

¹⁹ Ibid, Page 5

²⁰ Ibid, Page 5

²¹ Sierra Pacific Response to Data Request June 12, Question 3.

²² Ibid.

²³ Ibid.

²⁴ Sierra Pacific Presentation to the Low Income Oversight Board, June 7, 2006, Slide 3

of 2007-79.6% and 2008-82.7%. The Energy Division finds these expected target growth rates low in relation to Sierra's historical growth rate. Sierra has not presented any evidence for the low incremental growth. However, Sierra has presented evidence that since November of 2005, the self-certification program and other changes have significantly increased enrollment. The Energy Division expects a continued growth of enrollment to remain at a steady pace of 10% per year in accordance with the following outreach methods discussed in the outreach discussion.

4. Bear Valley Participation

Bear Valley Electric Service is owned and operated by Golden State Water Company and provides electric service to approximately 22,000 customers in the Big Bear Lake resort area of the San Bernardino mountains. Bear Valley reports that approximately 93% of its customers are residential, two-thirds of which are vacation and seasonal homes while the remaining one-third, or roughly 7000 customers are full-time residents. Based on 2000 Census data Bear Valley estimates that approximately 27% of its full-time customers (approximately 1678) were CARE-eligible.

Bear Valley has not made any significant progress in its CARE enrollment and the numbers of its enrolled CARE customers continue to decline. The numbers of enrolled customers have declined from 1,559 on Dec. 31, 2004 to 1,302 on Dec. 31, 2005, a loss of 257 customers and a reduction in participation rate from 77% to 70%. Bear Valley expects to increase its 2006 enrollment to 1400, though the authorized target for 2006 is 1624. In 2007 and 2008, Bear Valley estimates slight gains/reductions based on local economic activity.

The Company proposes essentially no addition for 2007 and 2008 and does not meet the Commission's intent of moving penetration to 100%. Whether Bear Valley's estimate of CARE-eligible population is 1,865 or Census 2000 data of 1,678, its proposed zero increase in enrollment for 2007 and 2008 is

unreasonable. It needs to make a concerted effort to increase its amount of participating CARE customers.

Energy Division recommends for the Commission to set a 90% penetration rate benchmark or 1510 CARE enrolled customers for 2007 and 2008, which would add 110 more CARE customers to the utility expected estimate of 1400 for 2006.

5. Southwest Gas Participation

Southwest Gas (SW Gas) provides natural gas service to approximately 161,500 permanent year-round residential customers in two distinct territories (Northern and Southern). The Northern territory consists of Lake Tahoe area in Placer, El Dorado, and Nevada counties. The Southern region consists of customers in the high desert and mountain areas of San Bernadino County. SW Gas's Northern territory grew in 2005, when the Company purchased Avista Natural Gas assets on April 29, 2005 in South Lake Tahoe, California.²⁵

SW Gas participation levels have increased due to the *Winter Initiative*, aggressive outreach efforts, and the purchase of Avista. The *Winter Initiative* was approved October 27, 2005, in response to the rising natural gas prices and their impact on customers.²⁶ In Decision 05-10-44, the Commission issued certain directives for the large utilities including Southwest Gas. Under the *Winter Initiative*, SW Gas is to provided 20 percent monthly bill discount to eligible California customers whose qualifying household income does not exceed 200 percent of the Federal Poverty Income Level (FPI). The *Winter Initiative* began on November 1, 2005, and continued through April 30, 2006. Prior to the *Winter Initiative*, income qualifications were set at 175 percent of the FPI level.²⁷ As a result, SW Gas has exceeded the target penetration rates which were set for the company.

Decision 05-07-014 adopted a target of 85% penetration rate for Southwest. In 2004, SW Gas had a penetration rate of 80%. As of December

²⁵ D. 05-03-010

²⁶ D. 05-10-044

²⁷ CPUC Resolution, E-3524, adopted February 19, 1998

31, 2005, SW Gas had enrolled 30,859 of the total 32,783 CARE eligible customers, which is approximately 94% penetration rate²⁸. In 2007, SW Gas proposes a 93% penetration rate, and 95% in 2008.²⁹

SW Gas projects that it may have an additional 5,055 CARE eligible customers at the end of 2006, and an additional 2,960 by the end of 2008.³⁰ Although these numbers represent a significant increase in CARE eligible customers, SW Gas has the resources and historically has been able to handle such a large enrollment.

The Energy Division commends SW Gas for its efforts but recommends a 96% penetration rate in 2007 and 98% penetration rate in 2008. This number represents a 2% incremental penetration rate each year, or approximately 660 newly enrolled customer each year. This target penetration rate is reasonable in relation to the historical data provided by the utility. Since 2004, SW Gas has increased its penetration rate by 15%. Although this rapid enrollment is due to the purchase of Avista and the 200% FPI, SW Gas has also employed aggressive outreach efforts which will be discussed below.

6. West Coast Gas Participation

West Coast Gas (WCG) is a very small Gas utility serving approximately 1500 natural Gas customers at Mather Field, in Sacramento County, and at Castle Airport, in Merced County, California. As of December 31, 2005 there were 1271 permanent residential customers and thirty eight households out of estimated forty five CARE eligible households enrolled in the CARE program. Due to small number of customers, the Commission has consistently set a Participation target of 100% for WCG and the utility has always come close to meeting its target. WCG believes that due to relatively small number of residential customer base every CARE eligible customer has been provided adequate opportunity to participate in its CARE program. WCG does not expect any new additions to enrollment in 2006 and expects only 2 new additions in

²⁸ Southwest 2005 Annual Report on Low Income Assistance Programs, Page 3

²⁹ Southwest Data Response, May 31,2006, Table 1

³⁰ Ibid

2007 and no additions in 2008. Given the estimated eligible CARE population of 45, the expected penetration rates for WCG for years 2007 and 2008 are 89 percent.

The Energy Division recommends that due to the small eligible population of only 45, that all of them should be enrolled in CARE and the target participation rate of 100% be adopted for WCG for each year of 2007 and 2008. WCG admits that it has extensive CARE outreach activities for a relatively small number of residential customers and Energy Division believes that WCG should be able to accomplish the assigned participation target of 100 percent, through direct telephone calls or door-to-door visits to the remaining seven customers who are currently not enrolled in CARE.

B. CARE Outreach Analysis

The following table 5 depicts historic and proposed actual and proposed outreach expenditures for the utilities.

TABLE 5
Actual and Proposed CARE Outreach Expenditures

| Utility | 2004 Authorized Budget | 2004 Actual | 2005 Authorized Budget | 2005 Actual | 2006 Utility Proposed Budget | Increase in 2006 Proposed over 2005 Actual | 2007 Utility Proposed Budget | Increase in 2007 Proposed over 2006 Budgeted | 2008 Utility Proposed Budget | Increase in 2008 Proposed over 2007 Budgeted |
|---------|------------------------------|----------------|------------------------------|----------------|---------------------------------------|--|---------------------------------------|--|------------------------------------|--|
| Alpine | \$709 | \$50 | \$100 | \$100 | \$100 | \$0 | \$200 | \$100 | \$200 | \$0 |
| Avista | \$28,800 | \$18,800 | \$18,800 | \$61 | | (\$61) | | \$0 | | \$0 |
| PC | \$43,500 | \$22,008 | \$42,000 | \$48,478 | \$42,000 | (\$6,478) | \$50,000 | \$8,000 | \$50,000 | \$0 |
| Sierra | \$19,378 | \$10,329 | \$14,000 | \$4,351 | \$4,204 | (\$147) | \$4,330 | \$126 | \$4,460 | \$130 |
| BVES | \$51,550 | \$900 | \$3,000 | \$2,391 | \$3,000 | \$609 | \$3,500 | \$500 | \$3,500 | \$0 |
| SWG | \$97,714 | \$59,086 | \$77,600 | \$63,163 | \$77,600 | \$14,437 | \$95,000 | \$17,400 | \$95,000 | \$0 |
| WCG | \$0 | \$0 | \$500 | \$640 | \$350 | (\$290) | \$350 | \$0 | \$350 | \$0 |
| TOTAL | \$241,651 | \$111,173 | \$156,000 | \$119,184 | \$127,254 | \$8,070 | \$153,380 | \$26,126 | \$153,510 | \$130 |

Table 6 compares historic and proposed CARE enrollment compared with the California Public Utilities Commission's (CPUC) benchmark's set in D.05-07-017.

TABLE 6

| Historic and Proposed CARE Enrollment Compared with CPUC Benchmarks | | | | | | | | | | | | |
|---|---------------------------------|--|---|----------------------|--|----------------------|---|---|---------------------------------------|---|---------------------------------------|---|
| Utility | Estimated Residential Customers | Utility Estimated Eligible Population 12/31/05 | D.03-03-007 Adopted Enrollment for 2004 | Enrolled at 12/31/04 | D.05-07-014 Adopted Enrollment for 12/31/05 and 12/31/06 | Enrolled at 12/31/05 | Utility Expected Enrolled at 12/31/2006 | 2006 Utility Proposed Additions to Enrolled | Utility Proposed Enrolled at 12/31/07 | 2007 Utility Proposed Additions to Enrolled | Utility Proposed Enrolled at 12/31/08 | 2008 Utility Proposed Additions to Enrolled |
| Alpine | 1,004 | 40 | 33 | 31 | 30 | 35 | 40 | 5 | 45 | 5 | 54 | 9 |
| Avista | | 1,207 | 1,027 | | 1,180 | | | | | | | |
| PC | 35,000 | 15,938 | 9,982 | 4,425 | 10,902 | 5,346 | 9,000 | 3,654 | 10,500 | 1,500 | 12,000 | 1,500 |
| Sierra | 18,870 | 2,300 | 2,070 | 1,277 | 1,725 | 1,507 | 1,758 | 251 | 1,830 | 72 | 1,902 | 72 |
| BVES | 6,215 | 1,678 | 1,726 | 1,559 | 1,624 | 1,302 | 1,400 | 98 | 1,400 | 0 | 1,400 | 0 |
| SWG | 161,500 | 38,522 | 23,440 | 24,415 | 27,866 | 32,200 | 38,800 | 6,600 | 43,855 | 5,055 | 46,815 | 2,960 |
| WCG | 1,271 | 45 | 25 | 46 | 50 | 38 | 38 | 0 | 40 | 2 | 40 | 0 |
| Totals | 223,860 | 59,730 | 38,303 | 31,753 | 43,377 | 40,428 | 51,036 | 10,608 | 57,670 | 6,634 | 62,211 | 4,541 |

The following table 7 presents the average CARE outreach cost per newly enrolled customer between 2003 to 2008.

TABLE 7

| Average CARE Outreach Costs Per Newly Enrolled | | | | | | |
|--|----------------------------|----------------------------|----------------------------|-----------------------------------|----------------------------------|----------------------------------|
| UTILITY | 2003 Average Outreach Cost | 2004 Average Outreach Cost | 2005 Average Outreach Cost | 2006 Estimated Avg. Outreach Cost | 2007 Proposed Avg. Outreach Cost | 2008 Proposed Avg. Outreach Cost |
| Alpine | N/A | \$12.50 | \$25.00 | \$20.00 | \$40.00 | \$22.22 |
| Avista | \$65.31 | \$51.46 | \$0.23 | \$0.00 | \$0.00 | \$0.00 |
| PacifiCorp (*) | \$53.31 | \$19.48 | \$52.07 | \$11.49 | \$33.33 | \$33.33 |
| Sierra | \$296.00 | \$61.11 | \$18.92 | \$16.75 | \$60.14 | \$61.94 |
| BVES | \$0.00 | \$0.00 | \$6.60 | \$33.16 | \$3,500.00 | \$3,500.00 |
| SWG | \$213.17 | \$21.24 | \$9.80 | \$9.77 | \$18.79 | \$32.09 |
| WCG | \$21.29 | \$75.00 | \$640.00 | \$350.00 | \$350.00 | \$350.00 |

The following table 8 lists the average residential enrolled CARE customer outreach cost per customer.

TABLE 8

| Average Residential CARE Outreach Costs | | | | | | |
|---|--------------------------------------|--------------------------------------|--------------------------------------|---|--|---|
| UTILITY | 2003 Average Outreach Costs | 2004 Average Outreach Costs | 2005 Average Outreach Costs | 2006 Estimated Average Outreach Cost | 2007 Proposed Average Outreach Cost | 2008 Proposed Average Outreach Cost |
| Alpine | \$0.07 | \$0.06 | \$0.10 | \$0.10 | \$0.20 | \$0.20 |
| Avista | \$1.57 | \$0.63 | \$0.00 | \$0.00 | \$0.00 | \$0.00 |
| PacifiCorp | \$1.65 | \$0.65 | \$1.39 | \$1.20 | \$1.43 | \$1.43 |
| Sierra | \$1.25 | \$0.52 | \$0.23 | \$0.22 | \$0.23 | \$0.24 |
| BVES | \$1.83 | \$0.16 | \$0.38 | \$0.52 | \$0.56 | \$0.56 |
| SWG | \$0.72 | \$0.48 | \$0.39 | \$0.48 | \$0.59 | \$0.59 |
| WCG | \$0.47 | \$0.29 | \$0.50 | \$0.28 | \$0.28 | \$0.28 |

1. Alpine Outreach

According to Alpine, the most cost-effective method of outreach includes notices on monthly billing statements and direct mailers. Alpine also provides information about CARE to each new customer and a reminder to all customers in an annual letter.³¹

The Energy Division recommends approval of Alpine's outreach budget and request Alpine to call those new or CARE eligible customers and notify them about the program benefits and goals. The customers should also be notified that the enrollment papers will be in the mail with their billing statements. Energy Division believes that due to the small territory that Alpine covers, a telephone call would be the most cost effective method to reach new and existing eligible CARE customers and will produce the most results.

³¹ Alpine 2005 CARE annual report.

2. PacifiCorp Outreach

PacifiCorp asserts that since its last low-income application was filed, the Company has significantly increased outreach efforts to meet participation goals.³² These efforts included bill inserts, direct mail solicitations to all residential customers, bill messages, and newspaper and radio advertisements. In 2006, additional outreach efforts included counter displays at various service agency offices, as well as program materials and grocery bags provided to local agency offices for distribution in the community.

The Energy Division recommends that PacifiCorp reassess its outreach methods and approve its outreach budget. Despite aggressive outreach efforts, PacifiCorp has only increased its CARE enrolled customers by 5%, a total of approximately 800 new CARE enrollees. PacifiCorp must be commended for its effort to pursue CARE customers. After a thorough analysis of PacifiCorp's outreach efforts, there remains one issue that has not been addressed, the literacy levels of those low income customers. According to the State of California literacy resource center statistics, between 2-5% of the counties PacifiCorp serves do not have English literacy.³³ Therefore, the population may speak English, but may not be able to read. This variable may affect the outreach efforts, because the marketing material may have to be geared towards a population that may not read the newspapers or understand other means of written advertisement. There are various methods to reach this population, including workshops, educational meetings, radio and television advertisement, and the Energy Division recommends that PacifiCorp explore these options when considering its marketing materials for CARE enrollment.

3. Sierra Pacific Outreach

Sierra uses several methods of outreach. To increase CARE participation, Sierra uses twice-yearly billing inserts in English and Spanish; direct postcard mailings to permanent residential customers; quarterly CARE messages printed on front-facing residential bills, on-hold recordings detailing the

³² PacifiCorp Low Income Programs Application for 2007,2008, Page 5

³³ <http://literacynet.org/cgi-bin/hubiv/sra/sra.cgi>

program, billing envelopes with printed messages; capitation with LIEE contractors, posters/flyers in high-traffic low-income community facilities, etc. Also, the Company enrolls customers receiving Home Energy Assistance Payments who are not on CARE.³⁴ Sierra has developed a customer friendly website that is exceedingly easy to use and research customer information.³⁵ Additionally, Sierra plans to contact the master-metered mobile home parks and request they provide CARE information to their tenants.³⁶ The Energy Division commends Sierra for its consorted effort in enrolling new CARE customers.

The Energy Division approves Sierra's proposed outreach budget for 2007 and 2008, subject to the company increasing its enrollment. Based on Sierra proposed budget for outreach, and its current newly enrolled customer rate, Sierra will be spending \$60.14 for 2007 and \$61.94 in 2008 per newly enrolled customer. The utility's 2004 average Outreach cost was \$61.11 per newly-enrolled customer, and spent an average of \$18.92 in 2005 per newly enrolled customers. The utility's estimated outreach cost for 2006 is \$16.75 per customer. Sierra has presented evidence that it intends to increase the participation rate, and the Energy Division encourages an increase in their penetration rate. There is not any evidence in Sierra Pacific's application or other documentation that supports Sierra's tripling the outreach costs for each newly enrolled customer. Therefore, Sierra should put a consorted effort to increase its penetration rate to ensure that the outreach expenditures are spent appropriately.

4. Bear Valley Outreach

Bear Valley asserts that the most cost-effective outreach method in its service area is through bill inserts and direct mailers due to its large service area. It plans to continue its June/July annual CARE notification and also to do an additional bill insert in the fall. The estimated annual cost of bill inserts is \$2,500 and the cost of additional outreach printing is estimated to be \$1,000. Bear Valley's website is customer friendly and provides easy access to the CARE

³⁴ Sierra Pacific Power Company Response to Energy Division Data Request, June 12, 2006, Question 2.

³⁵ Ibid.

³⁶ Ibid.

forms and information though it is not available in the “New Service” section of the website.

Energy Division recommends that Bear Valley step-up its outreach program and use all creative means including its website as well as other marketing techniques to meet the commission recommended penetration benchmark of 90%. Energy Division recommends that the requested funds for outreach of \$3,500 are approved in order for the utility to undertake an aggressive outreach effort.

5. Southwest Gas Outreach

SW Gas’s outreach materials are very accessible. The information is in various languages, including Spanish.³⁷ SW Gas has also revised its CARE application in 2005, asserting that it is “more customer-friendly” and easier to read.³⁸ The company modeled the new format after the Southern California Edison’s application.³⁹ SW Gas has also been very innovative in enrolling its CARE customers via its website.⁴⁰ The information on the website is available in Spanish, English and large print.⁴¹

In 2004, SW Gas was authorized to spend \$97,714 on CARE outreach and \$77,600 in 2005. The company spent a total of \$59,086 2004, and \$63,163 in 2005. The funds were spent on a variety of aggressive outreach efforts, such as targeted mailings, posters, brochures, community events, data-sharing with overlapping electric utilities, and program promotion via Southwest’s website and on-hold messages. Southwest is not requesting additional outreach monies for the fiscal 2006 year, the amount is \$77,600. The outreach amount is the same as 2005. However, Southwest is requesting a proposed budget of \$95,000 for 2007 and 2008 per year.

The Energy Division recommends that Southwest’s proposed budget is approved. Due to Southwest’s large territory and anticipated increase in CARE

³⁷ Southwest Application for Low Income Programs 2007-2008, Page 9

³⁸ Ibid

³⁹ Ibid

⁴⁰ Ibid

⁴¹ Ibid

eligibility in its area, approximately 5,055 at the end of 2006 and 2,960 at the end of 2007, the increase of its outreach budget is supported with the increase of the eligible CARE participants.

6. West Coast Outreach

West Coast Gas (WCG) CARE outreach program primarily consists of direct customer contact at the time of the new service application.⁴² The company also prints CARE information quarterly on their bills and has CARE information included on its “on-hold” message for customers.⁴³

The Energy Division recommends approval of West Coast Gas’s outreach budget. West Coast Gas proposes .28 cent per potentially CARE-eligible customer for outreach. This is a decrease from 2004, when its cost was .49 cent per potentially CARE-eligible customer. Due to the small territory WCG serves and its continued increase of enrollment, the Energy Division finds the requested amount reasonable in relation to WCG goals to continue its successful outreach.

C. CARE Processing, Certification, Verification Analysis

Energy division analyzed the processing, certification/verification costs based on Annual Reports, Data Responses, and previous Energy Division reports. The tables on the following pages show the results of this analysis.

⁴² Energy Division SMJU Report for 2005 fiscal year, Page 32

⁴³ Ibid

Table 9 compares the CARE processing, certification and verification from 2003 to the proposed budgets of 2008.

TABLE 9

| CARE Processing, Certification and Verification Expenditures | | | | | | | | | | |
|--|------------------------------|----------------|------------------------------|----------------|---------------------------------------|--|---------------------------------------|--|---------------------------------------|--|
| Utility | 2004 Authorized Budget | 2004 Actual | 2005 Authorized Budget | 2005 Actual | 2006 Utility Proposed Budget | Increase in 2006 Proposed over 2005 Actual | 2007 Utility Proposed Budget | Increase in 2007 Proposed over 2006 Budgeted | 2008 Utility Proposed Budget | Increase in 2008 over 2007 Proposed |
| Alpine | \$1,579 | \$50 | \$100 | \$450 | \$450 | \$0 | \$600 | \$150 | \$600 | \$0 |
| Avista | \$11,800 | | \$12,300 | \$9,795 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| PC | \$32,500 | \$14,709 | \$13,000 | \$18,059 | \$12,000 | (\$6,059) | \$12,000 | \$0 | \$12,000 | \$0 |
| Sierra | \$7,446 | \$8,330 | \$10,485 | \$7,723 | \$10,478 | \$2,755 | \$10,793 | \$315 | \$11,116 | \$323 |
| BVES | \$850 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| SWG | \$20,402 | \$19,146 | \$29,600 | \$48,744 | \$29,600 | (\$19,144) | \$42,000 | \$12,400 | \$42,000 | \$0 |
| WCG | \$1,500 | | \$100 | \$239 | \$100 | (\$139) | \$250 | \$150 | \$250 | \$0 |
| TOTAL | \$76,077 | \$42,235 | \$65,585 | \$85,010 | \$52,628 | (\$22,587) | \$65,643 | \$13,015 | \$65,966 | \$323 |

Table 10 compares the average residential processing, certification and verification costs.

TABLE 10

| Avg. Processing, Certification and Verification Costs Per Newly Enrolled | | | | | | |
|--|-------------------------|-------------------------|-------------------------|--------------------------------------|-------------------------------------|-------------------------------------|
| UTILITY | 2003 Average Cost | 2004 Average Cost | 2005 Average Cost | 2006 Estimated Average Cost | 2007 Proposed Average Cost | 2008 Proposed Average Cost |
| Alpine | \$0.00 | \$12.50 | \$112.50 | \$100.00 | \$120.00 | \$66.67 |
| Avista | \$25.71 | \$92.60 | \$36.41 | \$0.00 | \$0.00 | \$0.00 |
| PacifiCorp | \$9.19 | \$13.26 | \$19.40 | \$3.28 | \$8.00 | \$8.00 |
| Sierra | \$101.47 | \$49.29 | \$33.58 | \$41.75 | \$149.90 | \$154.39 |
| BVES | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 |
| SWG | \$51.39 | \$6.88 | \$7.56 | \$3.73 | \$8.31 | \$14.19 |
| WCG | \$24.07 | \$91.40 | \$239.00 | \$100.00 | \$250.00 | \$250.00 |

Table 11 presents average residential processing, certification and verification costs between 2003-2008.

TABLE 11

| Avg. Residential Processing, Certification and Verification Costs | | | | | | |
|---|--------------------------|--------------------------|--------------------------|--------------------------------------|-------------------------------------|-------------------------------------|
| UTILITY | 2003 Average Costs | 2004 Average Costs | 2005 Average Costs | 2006 Estimated Average Cost | 2007 Proposed Average Cost | 2008 Proposed Average Cost |
| Alpine | \$2.13 | \$1.85 | \$2.23 | \$0.50 | \$0.60 | \$0.60 |
| Avista | \$7.29 | \$11.23 | \$0.00 | \$0.00 | \$0.00 | \$0.00 |
| PacifiCorp | \$2.89 | \$3.31 | \$1.94 | \$0.34 | \$0.34 | \$0.34 |
| Sierra | \$6.78 | \$6.52 | \$2.44 | \$0.56 | \$0.57 | \$0.59 |
| BVES | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 |
| SWG | \$0.96 | \$0.78 | \$3.31 | \$0.18 | \$0.26 | \$0.26 |
| WCG | \$16.25 | \$10.13 | \$5.32 | \$0.08 | \$0.20 | \$0.20 |

1. Alpine's Processing, Certification and Verification Processes

Alpine staff performs in-house call processing, certification, and verification of CARE applicants. Due to this expense being very small, Alpine does not track the time and record the hours worked by the staff in the CARE Balancing Account.⁴⁴ In 2005, Alpine enrolled 6 new CARE participants, with a budget of \$50. In 2006, 2007, 2008 Alpine is requesting to increase its processing, certification and verification budget from \$50.00 to \$100.00. Due to its small size, Alpine is exempt from conducting random post-enrollment verifications.⁴⁵

The Energy Division recommends approval of Alpine's increased budget of \$100.00 for processing, certification and verification. To achieve 100% penetration rate, Alpine needs only 5 more participants. However, Alpine expects continued incremental growth of the eligible number of CARE participants that total less than 4% of the total number of customers.⁴⁶ A continued incremental growth of the participants would require an increase in this

⁴⁴ Alpine Natural Gas, Annual Report. Page 5

⁴⁵ See D. 03-03-007, Ordering Paragraph 1(b).

⁴⁶ Application of Alpine Natural Gas Company 2006, 2007, 2008, page 3

line item budget to handle these expenses due to processing expenses done by in-house staff.

2. PacifiCorp's Processing, Certification and Verification Processes

PacifiCorp's in house self certification process has dramatically increased enrollment. Prior to the in house self certification, PacifiCorp contracted with the California Department of Community Services and Development (CSD) for certification and recertification services.⁴⁷ In Decision 05-07-14, issued July 21, 2005, the Commission ordered PacifiCorp to initiate self-certification processes for CARE customers. PacifiCorp's first distribution of self-certification applications was completed through direct mail to all residential customers in December 2005.⁴⁸ As a result, there was a significant change in enrollment after the first distribution. This change can be seen in the enrollments. On December 1, 2005 the enrollment was 4,588, and on April 30, 2006 enrollment was 8,028, a 75% increase.⁴⁹

The Energy Division commends PacifiCorp for its large increase in enrollment in such a short amount of time and recommends approval of its 2007-2008 budget. PacifiCorp has taken advantage of the in-house recertification process and the requested amount justifies the company's goals of continued outreach and an increased penetration rate.

3. Sierra Pacific Processing, Certification and Verification Processes

Sierra Pacific's certification and verification is done with a full service contract with the Department of Community Services and Development (CSD).⁵⁰ This agency performs functions such as eligibility and re-certifications requirements of applicants. Sierra Pacific began self-certification in November 2005, which the company expects will maximize participation.⁵¹

The Energy Division recommends approval of Sierra's proposed budgets for 2006, 2007, & 2008. Sierra has shown initiative and results with its contract

⁴⁷ Application of PacifiCorp for 2007-2008

⁴⁸ Data Response, July 10, 2006. Question 1

⁴⁹ Ibid, Question 2

⁵⁰ Data Response, May 17, 2006 , Question C1

⁵¹ Ibid, C1

with CSD. For example, of the 544 applications returned last year, a total of 373 were enrolled in CARE, and a remaining 128 were already enrolled in CARE.⁵² These results are dramatically different from Sierra's previous years, where Sierra reported many CARE customers were removed from the program due to non-responses, incomplete applications, or because the customer exceeded the income requirement. The 30% budget increase coincides with the cost that will be associated with Sierra reaching its 100% penetration goal.

4. Bear Valley Processing, Certification and Verification Processes

Processing, certification and verification is handled in-house by Bear Valley staff. There were approximately 441 applications received during Bear Valley's last report period and 362 were approved. Bear Valley estimates that approximately \$3,500 is incurred for processing, certification, and verification costs, but is recovered in base rates. Bear Valley doesn't request any surcharge funds be allocated for these functions.

The Energy Division recommends approval of Bear Valley's processing, certification and verification expenses subject to the utility providing a more detail account of the disbursement of the CARE funds. To date, Bear Valley has submitted a CARE budget but details as to each line item expense have not been completed by the utility.

Energy Division also recommends a follow-up program to re-verify qualifications for the applications that were rejected.

5. Southwest Gas Processing, Certification and Verification Processes

Southwest Gas processes CARE applications, certification and verification in-house. After the acquisition of Avista, Southwest did not renew Avista's contract with El Dorado community, who processed enrollments and verifications for Avista.⁵³ These services expire in August 2005. Southwest did not renew the contract and began processing enrollments and verifications utilizing its existing

⁵² Sierra Pacific Annual Low Income Report, April 28, 2006, Page 9

⁵³ Southwest Gas Application for Low Income Programs, Fiscal Years 2007, 2008, Page 10

systems for the South Lake Tahoe service area as well. Southwest proposes a budget of \$29,600 for 2006 , and 42,000 for 2007 and 2008 processing, certification and verification budgets.

For certification, Southwest reviews applications for completeness, conformance with income parameters, and compares the information with their customer service systems' customers on record.⁵⁴ For verification, Southwest Gas reviews the applications for income eligibility, requests for proof of eligibility, performs repeated contacts for additional information and conducts random sampling for income documentation.⁵⁵ Southwest Gas recertifies each CARE customer biennially.⁵⁶

D. 05-07-014 directed Southwest to implement automated calling for CARE recertification in the fall of 2005. Southwest suspended this effort due to the *Winter Initiative*. CARE re-certifications began again on May 1, 2006.⁵⁷ Southwest plans to send automated reminder calls in July 2006, which will be made to CARE customers who have been sent two reminder letters to re-certify for the CARE program, and have failed to respond.

Southwest has been focusing to making the income verification process more accessible. For example, the company is in the process of moving from manual income verification to an automated random income verification process. Southwest planned to begin this program in the fall of 2005, but was implemented in May 2006 instead.⁵⁸ The delay in the program was due to the *Winter Initiative*.⁵⁹ Southwest has also expanded the use of source codes on its CARE application.⁶⁰ The source codes allow the tracking of information for outreach initiatives and re-certifications. This information assists with providing valid information to the California Public Utilities Commission.

The Energy Division recommends approval of Southwest's processing, certification, and verification budget. Due to the large territory that Southwest

⁵⁴ Southwest 2005 Annual Report, Page 6

⁵⁵ Ibid

⁵⁶ Ibid

⁵⁷ Southwest Application for Low Income Programs for 2007 & 2008, Page 10

⁵⁸ Ibid

⁵⁹ Ibid

⁶⁰ Ibid

serves, and because the company is steadily growing, the increase in budget request is reasonable.

6. West Coast Gas Processing, Certification and Verification Processes

West Coast Gas performs all processing, certification and verification activities in-house and is exempt from performing random post-enrollment verification per D.03-03-007, OP1.(b). In year 2005 the utility exceeded its authorized budget of \$100 and actually spent \$239. The cost per newly enrolled customer for all SMJU's has continued to increase and for WCG it is the highest at \$250 per customer. For the years 2007 and 2008, WCG is requesting \$250 for each year respectively. Energy Division recommends that the utility budget request is approved based on its historical expense in this category. Energy Division also recommends that some type of follow-up program such as direct mailings as well as direct phone calls be instituted for those who drop-off the program.

D. CARE General Expenditures

The following table outlines actual and proposed general expenditures as reported by the utilities. As shown below, Alpine, Bear Valley, and Sierra do not request surcharge recovery for any General Expense related to CARE. Therefore, we do not address an analysis General Expenses for these utilities because they do not have any line item expenses in this category.

Table 12 depicts each utility's previous and proposed CARE General Expenditures.

TABLE 12
CARE General Expenditures

| Utility | 2004 Authorized Budget | 2004 Actual | 2005 Authorized Budget | 2005 Actual | 2006 Utility Proposed Budget | Increase in 2006 Proposed over 2005 Actual | 2007 Utility Proposed Budget | Increase in 2007 Proposed over 2006 Authorized | 2008 Utility Proposed Budget | Increase in 2008 Proposed over 2007 Proposed |
|---------|------------------------------|----------------|------------------------------|----------------|---------------------------------------|--|---------------------------------------|--|---------------------------------------|--|
| Alpine | | \$100 | \$0 | \$1,350 | \$2,400 | \$1,050 | \$2,000 | (\$400) | \$2,000 | \$0 |
| Avista | \$5,500 | \$6,755 | \$15,500 | \$0 | | \$0 | | \$0 | | \$0 |
| PC | \$8,000 | \$6,755 | \$8,000 | \$5,534 | \$8,000 | \$2,466 | \$8,000 | \$0 | \$8,000 | \$0 |
| Sierra | | | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| BVES | | | \$0 | | \$0 | \$0 | | \$0 | | \$0 |
| SWG | \$5,100 | \$22,092 | \$17,600 | \$6,685 | \$17,600 | \$10,915 | \$34,000 | \$16,400 | \$34,000 | \$0 |
| WCG | | | \$1,000 | \$456 | \$1,000 | \$544 | \$500 | (\$500) | \$500 | \$0 |
| TOTAL | \$18,600 | \$35,702 | \$42,100 | \$14,025 | \$29,000 | \$14,975 | \$44,500 | \$15,500 | \$44,500 | \$0 |

Table 13 depicts Average General Costs per newly enrolled CARE customer between 2003-2008.

TABLE 13
Avg. General Costs Per Newly Enrolled

| UTILITY | 2003 Average Cost | 2004 Average Cost | 2005 Average Cost | 2006 Estimated Average Cost | 2007 Proposed Average Cost | 2008 Proposed Average Cost |
|------------|-------------------------|-------------------------|-------------------------|--------------------------------------|-------------------------------------|-------------------------------------|
| Alpine | \$0.00 | \$12.50 | \$337.50 | \$480.00 | \$400.00 | \$222.22 |
| Avista | \$25.71 | \$92.60 | \$0.00 | \$0.00 | \$0.00 | \$0.00 |
| PacifiCorp | \$9.19 | \$13.26 | \$5.94 | \$2.19 | \$5.33 | \$5.33 |
| Sierra | \$101.47 | \$49.29 | \$0.00 | \$0.00 | \$0.00 | \$0.00 |
| BVES | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 |
| SWG | \$51.39 | \$6.88 | \$1.04 | \$2.22 | \$6.73 | \$11.49 |
| WCG | \$24.07 | \$91.40 | \$456.00 | \$500.00 | \$500.00 | \$500.00 |

Table 14 depicts the Average Residential Costs per customer between 2003-2008.

TABLE14

| Avg. Residential General Costs | | | | | | |
|--------------------------------|--------------------------|--------------------------|--------------------------|--------------------------------------|-------------------------------------|-------------------------------------|
| UTILITY | 2003 Average Costs | 2004 Average Costs | 2005 Average Costs | 2006 Estimated Average Cost | 2007 Proposed Average Cost | 2008 Proposed Average Cost |
| Alpine | \$2.13 | \$1.85 | \$0.74 | \$2.39 | \$1.99 | \$1.99 |
| Avista | \$7.29 | \$11.23 | \$0.00 | \$0.00 | \$0.00 | \$0.00 |
| PacifiCorp | \$2.89 | \$3.31 | \$6.32 | \$0.23 | \$0.23 | \$0.23 |
| Sierra | \$6.78 | \$6.52 | \$0.00 | \$0.00 | \$0.00 | \$0.00 |
| BVES | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 |
| SWG | \$0.96 | \$0.78 | \$24.16 | \$0.11 | \$0.21 | \$0.21 |
| WCG | \$16.25 | \$10.13 | \$2.79 | \$0.39 | \$0.39 | \$0.39 |

1. Alpine Gas General Expenses

In 2004, Alpine did not request surcharge recovery for any General Expenses related to CARE. On November 7, 2005, Alpine filed Advice Letter #14, which increased the Public Purpose Program surcharge rates for Alpine's customers effective January 1, 2006. Alpine proposes that any rate change in the Public Purpose Surcharge continue to be handled through the LIEE and CARE balancing account as requested in Advice Letter filing on October 31, 2005.⁶¹ Alpine is requesting \$600.00 for its General Expenses.

The Energy Division recommends approval of Alpine's requested General Expenditures amount. The amount requested is consistent with the incremental growth of the CARE participants and the administrative costs associated with the operation of this small utility company.

2. PacifiCorp General Expenses

PacifiCorp's General Expenses include those costs related to preparation of filings, tracking and gathering of data for reports, and travel for CARE/LIEE

⁶¹ Application of Alpine Natural Gas Company 2006, 2007, 2008 Page 2

meetings at the CPUC.⁶² This expense also includes the labor for the Program Manager of the CARE programs.⁶³

The Energy Division recommends approval of the General Expenses budget. PacifiCorp has historically spent within the budgeted amount, as shown in Table_, with an excess of approximately \$2,000. This amount is appropriate due to PacifiCorp's continued efforts to increase its penetration rate.

3. Southwest Gas General Expenses

In 2004, Southwest proposed an increase in its general expense budget from the \$5,100 authorized for PY 2003, to 74,000 in 2004. The Commission and Energy Division rejected this proposal and found that such a substantial increase was unwarranted, and adopted a budget of \$17,600. For PY 2006, Southwest has proposed to adopt \$17,600. However, for PY 2007 and 2008, Southwest has proposed to double its budget for General Expenses to \$34,000.

The Energy Division does not recommend approval of Southwest's proposed 2007, 2008 budget for General Expenses. Although there has been an increase in enrollment, that increase represents approximately a 15% increase in enrollment. A 15% increase in enrollment does not justify a 100% increase in General Expenses. The Energy Division recommends a 24,000 budget General Expenses increase for the upcoming PY 2007 and PY 2008 to handle the incremental enrollment expected.

4. West Coast Gas General Expenses

The requested budget for this category of expense includes general expenses such as filing and reporting requirements etc. The utility's actual expense of this category recorded for year 2005 was \$456 compared to authorized level of \$1000. WCG is currently requesting \$500 for each of the years 2007 and 2008. Based on the historical record of its expenditures, Energy

⁶² PacifiCorp Data Response, May 1, 2006, 1E

⁶³ Ibid

Division recommends that this level of expense requested by the utility be adopted for years 2007 and 2008.

Table 15 displays the actual and proposed discount provided to CARE customers between 2008-2008.

TABLE 15

| Discount Provided to CARE Customers | | | | | | |
|-------------------------------------|----------------------|----------------------|----------------------|-------------------------|------------------------|------------------------|
| Utility | 2003 Actual Discount | 2004 Actual Discount | 2005 Actual Discount | 2006 Estimated Discount | 2007 Proposed Discount | 2008 Proposed Discount |
| Alpine | \$2,320 | \$3,442 | \$4,595 | \$7,025 | \$7,950 | \$8,525 |
| Avista | \$112,580 | \$149,388 | \$198,698 | | \$0 | \$0 |
| PacifiCorp | \$466,927 | \$776,588 | \$898,190 | \$1,672,000 | \$981,505 | \$981,505 |
| Sierra | \$129,274 | \$180,248 | \$251,257 | \$310,416 | \$379,912 | \$395,133 |
| BVES * | \$103,093 | \$148,965 | \$168,000 | \$154,000 | \$154,000 | \$154,000 |
| SWG | \$1,555,000 | \$2,704,297 | \$3,675,152 | \$3,756,690 | \$8,772,330 | \$8,772,330 |
| WCG | \$1,683 | \$4,298 | \$4,502 | \$6,000 | \$6,000 | \$6,000 |
| Total | \$2,370,877 | \$3,967,226 | \$5,200,394 | \$5,906,131 | \$10,301,697 | \$10,317,493 |

* No discount info provided. Assumed 2006 auth. Level

VI. Low Income Energy Efficiency Program Goals, Budgets and Expenditures

This section discusses the SMJU's proposals and Energy Division recommendations for PY 2007 and PY 2008.

The utilities have implemented one-way balancing accounts for their LIEE programs. Under the one-way balancing account, under-expenditures (amounts less than the authorized budgets) in any given year are carried over to augment the next year's LIEE program budget. However, any expenditures over the authorized budgets are shareholder's responsibility.⁶⁴

The utilities are to ensure that all feasible measures offered under LIEE are installed in each participant's home. This ensures that the participants in the program are receiving comprehensive treatment during one process, eliminating multiple times that installation crews are in their homes and preventing low-income families from not receiving services due to multiple appointments. This

⁶⁴ D.03-03-007, Page 40

requirement also ensures that each participant acquires the maximum energy and bill savings from the program. By installing all feasible measures for each participant, the utilities reduce overheads and administrative costs because measures are installed in one visit rather than in repeated visits. The following tables depict the Energy division analysis of each company's implementation of these measures.

Table 17 depicts each utility's treated and weatherized homes between 2004 and those proposed for 2008.

| LIEE Treated (T) and Weatherized (W) Homes | | | | | | | | | | | | | | |
|--|--|-----|-------------|-----|---|-----|-------------|-----|--------------------------|-----|--------------------------|-----|-------------------------|-----|
| Utility | 2004 Authorized in D.03-12- 016 | | 2004 Actual | | 2005 Authoriz ed in D.05- 07-014 | | 2005 Actual | | 2006 Utility Proposed | | 2007 Utility Proposed | | 2008 Utlity Proposed | |
| | T | W | T | W | T | W | T | W | T | W | T | W | T | W |
| Alpine | 20 | 20 | 14 | 14 | 16 | 16 | 6 | 6 | 6 | 6 | 10 | 10 | 10 | 10 |
| Avista | 80 | 80 | 69 | 69 | 90 | 90 | | | | | | | | |
| PC | 98 | 98 | 15 | 13 | 70 | 70 | 63 | 63 | 70 | 70 | 90 | 90 | 90 | 90 |
| Sierra | 250 | 145 | 119 | 28 | 119 | 28 | 75 | 15 | 80 | 20 | 92 | 23 | 92 | 23 |
| BVES | 410 | 82 | 68 | 2 | 85 | 17 | 176 | 8 | 190 | 10 | 100 | 5 | 100 | 5 |
| SWG | 586 | 415 | 844 | 621 | 550 | 400 | 791 | 780 | 725 | 725 | 725 | 725 | 725 | 725 |
| Totals | 1,444 | 840 | 1,129 | 747 | 930 | 621 | 1,111 | 872 | 1,071 | 831 | 1,017 | 853 | 1,017 | 853 |

Table 17 on the following page depicts each utilities LIEE program previous budgets, proposed budgets, and the Energy Division recommendations.

| TABLE 17 | | | | | | | | | |
|---|---|------------------|------------------|--------------------------|--------------------------|--------------------------|---|--------------------------|---|
| LIEE Program Budgets for Years 2007 and 2008 | | | | | | | | | |
| Utility | For each Year 2005 and 2006 Adopted | 2005 Spent | 2005 Unspent | 2006 Utility Expected | Expected 2006 Unspent | 2007 Utility Proposed | Increase (Decrease) over 2006 Expected | 2008 Utility Proposed | Increase (Decrease) over 2007 Proposed |
| Alpine | | | | | | | | | |
| Outreach | 500 | 20 | 480 | 16 | 484 | 25 | 9 | 50 | 25 |
| Inspections | 2,500 | 9,000 | -6,500 | 9,000 | -6,500 | 7,500 | -1,500 | 7,500 | 0 |
| General | 10,903 | 1,900 | 9,003 | 2,057 | 8,846 | 2,075 | 18 | 2,200 | 125 |
| Subtotal Admin | 13,903 | 10,920 | 2,983 | 11,073 | 153 | 9,600 | -1,473 | 9,750 | 150 |
| Weatherization | 5,000 | 5,796 | -796 | 9,000 | 3,204 | 9,250 | 250 | 10,500 | 1,250 |
| Measures | 5,000 | 300 | 4,700 | 3,000 | 2,700 | 4,300 | 1,300 | 5,450 | 1,150 |
| Energy Education | 3,000 | 375 | 2,625 | 500 | 125 | 500 | 0 | 600 | 100 |
| Subtotal Program | 13,000 | 6,471 | 6,529 | 12,500 | 6,029 | 14,050 | 1,550 | 16,550 | 2,500 |
| Total Program | \$26,903 | \$17,391 | \$9,512 | \$23,573 | \$6,182 | \$23,650 | \$77 | \$26,300 | \$2,650 |
| Avista (Currently South Lake Tahoe- SW Gas) | | | | | | | | | |
| Outreach | 2,000 | 817 | 1,183 | | | | | | 0 |
| Inspections | 1,500 | 0 | 1,500 | | | | | | 0 |
| General | 5,708 | 3,737 | 1,971 | | | | | | 0 |
| Subtotal Admin | 9,208 | 4,554 | 4,654 | | | | | | 0 |
| Weatherization | 67,972 | 54,752 | 13,220 | | | | | | 0 |
| Measures | 0 | 19,165 | -19,165 | | | | | | 0 |
| Energy Education | 4,800 | 3,509 | 1,291 | | | | | | 0 |
| Subtotal Program | 72,772 | 77,426 | -4,654 | | | | | | 0 |
| Total Program | \$81,980 | \$81,980 | \$0 | | | | | | \$0 |
| Bear Valley (* no data provided for 2006 expected) | | | | | | | | | |
| Outreach | 2,500 | 2,391 | 109 | | 2,500 | 3,000 | | 3,000 | 0 |
| Inspections | 1,500 | 0 | 1,500 | | 1,500 | 2,300 | | 2,300 | 0 |
| General | 12,250 | 0 | 12,250 | | 12,250 | 14,000 | | 14,000 | 0 |
| Subtotal Admin | 16,250 | 2,391 | 13,859 | 0 | 16,250 | 19,300 | | 19,300 | 0 |
| Weatherization | 825 | | 825 | | 825 | 1,200 | | 1,200 | 0 |
| Measures | 63,000 | | 63,000 | | 63,000 | 86,000 | | 86,000 | 0 |
| Energy Education | 2,750 | | 2,750 | | 2,750 | 3,500 | | 3,500 | 0 |
| Subtotal Program | 66,575 | 0 | 66,575 | 0 | 66,575 | 90,700 | | 90,700 | 0 |
| Total Program | \$82,825 | \$2,391 | 80,434 | \$0 | \$82,825 | \$110,000 | | \$110,000 | 0 |
| PacifiCorp | | | | | | | | | |
| Outreach | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Inspections | 4,000 | 2,107 | 1,893 | 4,000 | 0 | 5,000 | 1,000 | 5,000 | 0 |
| General | 23,000 | 15,012 | 7,988 | 23,000 | 0 | 35,500 | 12,500 | 35,500 | 0 |
| Subtotal Admin | 27,000 | 17,119 | 9,881 | 27,000 | 0 | 40,500 | 13,500 | 40,500 | 0 |
| Weatherization | 90,000 | 69,009 | 20,991 | 90,000 | 0 | 127,500 | 37,500 | 127,500 | 0 |
| Measures | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Energy Education | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Subtotal Program | 90,000 | 69,009 | 20,991 | 90,000 | 0 | 127,500 | 37,500 | 127,500 | 0 |
| Total Program | \$117,000 | \$86,128 | \$30,872 | \$117,000 | \$0 | \$168,000 | \$51,000 | \$168,000 | \$0 |
| Sierra Pacific | | | | | | | | | |
| Outreach | 2,000 | 1,732 | 268 | 2,000 | 0 | 2,000 | 0 | 2,000 | 0 |
| Inspections | 1,000 | 1,931 | -931 | 1,000 | 0 | 2,000 | 1,000 | 2,000 | 0 |
| General | 20,000 | 28,075 | -8,075 | 20,000 | 0 | 20,000 | 0 | 20,000 | 0 |
| Subtotal Admin | 23,000 | 31,738 | -8,738 | 23,000 | 0 | 24,000 | 1,000 | 24,000 | 0 |
| Weatherization | 73,000 | 70,890 | 2,110 | 73,000 | 0 | 82,000 | 9,000 | 82,000 | 0 |
| Measures | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Energy Education | 4,000 | 4,778 | -778 | 4,000 | 0 | 4,000 | 0 | 4,000 | 0 |
| Subtotal Program | 77,000 | 75,668 | 1,332 | 77,000 | 0 | 86,000 | 9,000 | 86,000 | 0 |
| Total Program | \$100,000 | \$107,406 | (\$7,406) | \$100,000 | \$0 | \$110,000 | \$10,000 | \$110,000 | \$0 |
| Southwest Gas | | | | | | | | | |
| Outreach | 20,000 | 600 | 19,400 | 35,736 | -15,736 | 5,000 | -30,736 | 5,000 | 0 |
| Inspections | 30,000 | 50,452 | -20,452 | 27,714 | 2,286 | 40,000 | 12,286 | 40,000 | 0 |
| General | 168,000 | 72,685 | 95,315 | 224,867 | -56,867 | 90,000 | -134,867 | 90,000 | 0 |
| Subtotal Admin | 218,000 | 123,737 | 94,263 | 288,317 | -70,317 | 135,000 | -153,317 | 135,000 | 0 |
| Weatherization | 465,000 | 530,461 | -65,461 | 578,539 | -113,539 | 945,000 | 366,461 | 945,000 | 0 |
| Measures | 145,000 | 67,397 | 77,603 | 160,608 | -15,608 | 0 | -160,608 | 0 | 0 |
| Energy Education | 32,000 | 33,342 | -1,342 | 36,637 | -4,637 | 0 | -36,637 | 0 | 0 |
| Subtotal Program | 642,000 | 631,200 | 10,800 | 775,784 | -133,784 | 945,000 | 169,216 | 945,000 | 0 |
| Total Program | \$860,000 | \$754,937 | \$105,063 | \$1,064,101 | (\$204,101) | \$1,080,000 | \$15,899 | \$1,080,000 | \$0 |

A. Alpine

In Decision 03-03-007, the Commission authorized Alpine to conduct its LIEE program through referrals as part of Pacific Gas and Electric Company's (PG&E) LIEE program, through PG&E's administrative contractor, Richard Heath and Associates (RHA). On December 31, 2003, Alpine entered into an agreement with RHA to provide energy efficiency services for Alpine by developing and implementing a weatherization program.

Today, Alpine continues to contract with RHA. Together, this partnership provides education, gas appliance safety testing, weatherization measures, minor home repair, and furnace repair and replacement. RHA also provides pre-weatherization assessments, installation of weatherization measures, and post-weatherization inspections.

Alpine's budget reflects a decrease in its LIEE program. Alpine had an approved LIEE budget of \$26,890 in 2005, with actual expenses of \$17,391. In 2006, Alpine is proposing a budget of \$23,572, which is a 13% decrease from the 2005 budget. Alpine projects that the 2007 and 2008 LIEE Budgets will continue to decrease compared with PY 2005.

The Energy Division recommends approval of Alpines LIEE budget for 2007 & 2008. According to Alpine, the Budget decrease is a result of the growth of Alpine's territory with new homes.⁶⁵ The utility's first customer base had existing older homes that converted from propane usage.⁶⁶ The recent newer homes have weatherization measures that already meet LIEE standards. Therefore, the utilities in budget request is in accordance to its reported decrease in the homes that need the weatherized home service.

B. PacifiCorp

PacifiCorp provides its qualified low-income residential electric customers with specific insulation and replacement measures. For example, showerheads for those with electric water heat, energy efficient refrigerators, and compact fluorescent lamps (CFL). Since the 1st quarter in 2004, PacifiCorp has treated

⁶⁵ Application of Alpine Natural Gas Company 2006, 2007 and 2008, Page 3

⁶⁶ Application of Alpine Natural Gas Company 2006,2007 and 2008, Page 3

and weatherized approximately 129 homes.⁶⁷ The company expects to treat and weatherize an estimated 70 homes in 2006. Additionally, PacifiCorp plans to treat and weatherize 90 homes each year for 2007 and 2008.⁶⁸ To pursue this goal, PacifiCorp plans to partner with an agency in Modoc County for LIEE services.⁶⁹

LIEE services are administered by partnering community agencies. For example, PacifiCorp reports that it works with local non-profit organizations such as the Del Norte County Senior Center in Crescent City, and the Great Northern Corporation in Weed to implement its program.⁷⁰ PacifiCorp reimburses these agencies 50% of the cost of services, with an additional 15% to cover agency administrative expenses.⁷¹ Therefore, costs for this partnership are covered through the agency administration fee paid.

The Division of Ratepayer Advocates (DRA) finds that PacifiCorp should increase its LIEE enrollment.⁷² Additionally, the DRA also finds that PacifiCorp's under-spending for LIEE in 2004 and 2005 suggests that they are not optimizing the program.⁷³ PacifiCorp has in previous years reportedly faced similar challenges with LIEE and CARE outreach, because the rural and diverse nature of the service territory makes it challenging to reach homes.⁷⁴ The Energy Division agrees with DRA that PacifiCorp should increase its enrollment, and should properly spend its proposed budget for the following years to pursue an increase in enrollment and overcome some of the challenges. In attaining maximum enrollment, the company should properly choose a CBO that is capable of assisting PacifiCorp achieve its optimal penetration rate for LIEE. PacifiCorp should also properly investigate if the unspent funds from the previous years may be spent on funding proposed projects for the upcoming years.

⁶⁷ Data Response 2.4

⁶⁸ PacifiCorp Response to Energy Division Data Request, June 26, 2006 LIEE #1

⁶⁹ Ibid

⁷⁰ Energy Division Report, 2004 Page 50

⁷¹ Ibid

⁷² Comments of the Division of Ratepayer Advocates, July 6, 2006, Page 7

⁷³ Ibid, Page 8

⁷⁴ Energy Division Report for CARE and LIEE program year 2005, Page, 50

The Energy Division recommends approval of PacifiCorp's LIEE budget. PacifiCorp's LIEE budget for 2007 and 2008 is \$168,000 annually. This amount reflects a \$81,872 increase from the amount spent in 2005 (\$86,128). In 2005, PacifiCorp only treated and weatherized 63 homes. The increase in PacifiCorp's budget is consistent with its efforts to partner with a CBO and nearly double LIEE-treated and weatherized homes.

C. Sierra Pacific

Sierra Pacific has a long history of providing weatherization measures to low-income homes. In 1986, the company implemented the Direct Weatherization program, for low-income, disabled and elderly customers in the California Service territory.⁷⁵ The program is a joint venture with Project Go, Inc., located in Placer county and Richard Heath and Associates (RHA).⁷⁶ Under this program partnership, customers are receiving weatherization measures, including energy efficient lighting fixtures, compact fluorescent bulbs, evaporative cooler installation, refrigerators and wall / window air conditioning.⁷⁷

The LIEE services provided through these agencies complement the programs implementation. For example, Project Go allows Sierra to have access to "hard to reach" customers and eligible customers, and assists with determining their needs and in installing the retrofit weatherization measures.⁷⁸ RHA provides services such as outreach, assessment, scheduling, installations, education, as well as reports of program results.⁷⁹ This agency partnership targets specific populations such as low-income senior citizen complexes, and other high density low-income locations.

The Division of Ratepayer Advocates recognizes that Sierra provides low-income customers with information and education on the LIEE program, but that the company needs to improve its outreach efforts.⁸⁰ Sierra explained to DRA

⁷⁵ Sierra Pacific 2005 Annual Report, Page 5

⁷⁶ Ibid, Page 7

⁷⁷ Ibid, page 8

⁷⁸ Ibid

⁷⁹ Ibid

⁸⁰ Response of the Division of Ratepayer Advocates to Sierra Power Company's Application 2007 &2008, Page 4

that a flyer is sent in English and Spanish at the beginning of each year, and through bill inserts.⁸¹ The Energy Division finds that although Sierra does not provide newspaper ads or other means of media advertisement, the company has been able to successfully target low-income populations through its agency partnerships. The evidence of this success is represented in the numbers of treated and weatherized homes. For example, in 2004, Sierra treated 15 homes and weatherized 13, while in 2005 the company weatherized and treated 63 homes, very close to the target amount of 70. The current LIEE approved funding is \$100,000, Sierra seeks to increase this amount for the 2007(\$6,000) and 2008(\$5,000) fiscal years.

Sierra finds two obstacles that prevent the implementation of the LIEE program, which are, 1) Shrinking pool of income-eligible applicants in the Tahoe region. 2) Dearth of local, qualified, and willing contractors.⁸² To remedy the shrinking income-eligible pool, Sierra recommends raising the income eligibility from 175% to 200% of the poverty level.⁸³ The Energy Division finds that changing the income eligibility should be analyzed to explore the full impact on this utility and other small utilities. The Energy Division also recommends that the utility should hold a local workshop, inviting local contractors to educate them about the program in an effort to meet the contractors and attract local contractors. This workshop would also allow the company to address any of the concerns of the contractors, in order to promote the program and educate them about the LIEE program implementation process and goals.

The Energy Division recommends approval of Sierra's proposed LIEE budgets for fiscal years 2007& 2008. Sierra should be commended in its effort to target and reach low-income populations, and utilizing the agency partnerships to optimize its outreach and penetration rates. Although the company faces numerous obstacles, the Energy Division is confident that the company will be successful in reaching its LIEE goals.

⁸¹ Ibid, Page 4

⁸² Sierra Pacific response to Data Request, May 17, 2006, Question 3.

⁸³ Ibid

D. Bear Valley

Bear Valley provides LIEE customers services, such as, refrigerators, CFLs, interior light fixtures, electric water heater insulations and pipe wrap, low-flow showerheads, and faucet aerators for homes with electric water heating, insulation, weather-stripping, caulking and minor envelope repair for electrically heated homes.⁸⁴

Bear Valley requests a budget of \$110,000 for program years 2007 & 2008.⁸⁵ Since the program's inception in 2002, Bear Valley has had approximately 2030 homes eligible.⁸⁶ The company has treated 643 homes, and weathered 10 homes during the LIEE programs operation.⁸⁷ Bear Valley expects to provide LIEE services to 105 households and request approval to install interior hardwired fixtures and portable fixtures (i.e. torchieres).

The Energy Division recommends approval of Bear Valley's 2005 budget, but is concerned about the low number of homes actually weatherized in a 2 year period. The Energy Division suggests that BVES increase the number of weatherized homes and provide the division with an explanation to the low amount. Furthermore, the Energy Division would like a more detailed justification as to why BVES would like to install interior hardwired fixtures, such as torchieres. Until further explanation and research data provided about the need for torchieres, the Energy Division does not recommend this measure.

E. Southwest Gas

Southwest contracts with RHA and the Community Action Partnership of San Bernardino (CAPSB) to provide program services to customers. Services include outreach and assessment, scheduling, installation of efficiency measures, education and the reporting of program results.⁸⁸ Southwest previously worked with other electric utilities with overlapping service territories to implement low-income programs. These utilities include Sierra in the northern

⁸⁴ Energy Division SMJU Report for 2005, Page 52

⁸⁵ Bear Valley Electric 2005 Annual Report, Page 6

⁸⁶ Bear Valley Response to Energy Division Data Request, July 11, 2006, Page 6

⁸⁷ Ibid

⁸⁸ Southwest Application of Approval for Low Income Programs, 2007 & 2008, Page 11

California region and Bear Valley and Southern California Edison Company in Southern California.⁸⁹ Due to the change in income eligibility from 175% to 200% of the poverty guidelines, Southwest has terminated data sharing with these companies, who have 175% income guideline.

LIEE outreach efforts are done with the CARE program promotion. Previous outreach efforts include targeted mailings, posters, brochures, community events, and program promotion via Southwest's website and "on-hold" messages.⁹⁰ This information is available in English, Spanish, and large print.⁹¹

The Energy Division recommends approval of Southwest's budget request for the fiscal years 2007 & 2008. Southwest's approved LIEE budget was \$999,677 in 2004 and \$1,064,101 in 2005. Those amounts were recoverable through the PPP surcharge. Through the LIEE Program, Southwest provided assistance to 844 homes in 2004, and 738 homes in 2005. According to Southwest, the rising cost of material, labor, and mileage, in addition to the newly required testing protocols, increased the average amount spent per home in 2005.⁹² Southwest used the remaining funds of \$204,101 from 2004 and carried it over to the 2005 budget.⁹³ The remaining \$309,164 from the 2005 budget was carried over to 2006.⁹⁴

F. West Coast Gas

West Coast Gas does not formally operate a LIEE program, and is exempt from establishing a LIEE program. Most of the homes in the area are new (average age 36 months), and meet the current State of California energy efficiency standards.⁹⁵ Although there is not an existing LIEE program, WCG provides customers with conservation information and request that this service is

⁸⁹ Energy Division SMJU Report for 2005 fiscal year, page 52

⁹⁰ Southwest Application of Approval for Low Income Programs, 2007 & 2008, Page 12

⁹¹ Ibid

⁹² Application of Southwest Gas 2006, 2007, 2008, Page 11

⁹³ Ibid

⁹⁴ Ibid

⁹⁵ West Coast Gas Application for years 2007 & 2008, Page 4

continued through 2007 & 2008.⁹⁶ The Energy Division commends WCG's efforts to educate its service community about conservation, and recommends it continued exempt status.

VII. Conclusion

The Energy Division recognizes that there are similar concerns of the utilities such as the Federal Poverty Income levels, and difficult to reach locations, penetration rates and the proper allocation of budget resources. The Energy Division notes that the SMJU's may be able to learn from each others' methods of operating the CARE and LIEE programs. For example, some of the utilities have mastered their outreach activities with high penetration rates. Various outreach methods should be shared amongst the utilities, as well as other successful tips for operating the CARE and LIEE program. During the next budget cycle, the Energy Division recommends a discussion or open workshops during 2007 & 2008 to discuss program planning and budgets. Specifically, Energy Division is interested in setting goals for each utility and proper formulation of budgets that reasonably assist in attaining these goals. The proper discussion and formulation of program implementation would ensure that the LIEE and CARE programs will be properly administered to the benefit of the customers and utilities.

⁹⁶ Ibid